

Message Text

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12

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 CEA-02 TAR-02

AGR-20 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04 PRS-01

SS-20 USIA-15 DRC-01 /195 W
----- 109626

P R 121545Z JUL 74

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 5062

INFO AMCONSUL ISTANBUL

AMCONSUL IZMIR

LIMITED OFFICIAL USE ANKARA 5540

E.O. 11652: N/A

TAGS: ETRD, TU

SUBJ: DISCRIMINATORY TOBACCO PRICES FOR AMERICAN IMPORTERS

REF: STATE 150487

1. CONSULATE OFFICER ISTANBUL TODAY CALLED ON GENERAL DIRECTOR OF MONOPLIES AND CONFIRMED INFORMATION THAT AGATT HAD RECEIVED EARLIER IN ANKARA FROM LOWER LEVEL MONOPOLY PERSONNEL. SUBSTANCE ISTANBUL CONVERSATION BEING REPORTED SEPARATELY BY CONGEN. IN SUMMARY, MONOPOLY FELT THEY HAD AN EARLIER COMMITMENT TO DELIVER 4,000 TONS 1972 LEAF TO SEVERAL COUNTRIES AT PRICES PREVAILLING EARLIER. MONOPOLY OFFICIALS MAINTAINED THAT THE SSHIPMENT HAD ONLY BEEN DELAYED BY THE EXPECTED BUREAUCRATIC BOTTLENECKS WHEN TWO GOVERNMENTAL MONOPOLIES DEALING. (IN CONTRAST, PRIVATE COMPANIES FOR WHICH NO LETTERS OF CREDIT REQUIRED CAN COMPLETE THEIR TRANSACTIONS IN ONE DAY.) MONOPOLY CONTINUES TO HOLD 12,000 TONS 1972 LEAF AND CONSIDERS SITUATION TO BE THAT OF A SELLER'S MARKET. THEY STRESS THE LIMITED OFFICIAL USE

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WORD "MINIMUM" IN MINIMUM EXPORT PRICES AND VOW TO OBTAIN

AS HIGH A PRICE AS POSSIBLE BUT TO NOT DISCRIMINATE AMONG BUYERS.

2. IF THE MONOPOLY HAS REFUSED BIDS RECEIVED FROM PRIVATE FIRMS, APPARENTLY ON GROUNDS OF SEEKING HIGHER PRICE, THERE IS NO EVIDENCE THIS HAS VIOLATED ANY PRIOR COMMITMENT. CONCERNING THE FILLING "COMMITMENTS" TO OTHER COUNTRIES, MONOPOLIES OFFICIALS HAVE ASSURED US THAT THIS WAS IN FACT THE CASE. THEY HAVE FURTHER ASSURED US THAT ALL COUNTRIES WILL HAVE ACCESS TO THE REMAINING 12,000 TONS AT COMPETITIVE PRICES. MONOPOLY OFFICIALS POINT TO THE FACT AHT FREE-MARKET PRICE FOR "B" GRADE AEGEAN TOBACCO IS CURRENTLY \$2.30.

3. INCREASED GOVERNMENTAL CONTROLS OVER DOMESTIC TOBACCO MARKETING HAS BEEN STATED POLICY BY THE REPUBLICAN PEOPLE'S PARTY (RPP)

SINCE 1963. TO THE EXTENT THAT FOREIGN COMPANIES OPERATE DIRECTLY OR INDIRECTLY IN THE DOMESTIC PURCHASING AND EXPORTING OF TOBACCO, THIS POLICY APPLIES EQUALLY. TO OUR KNOWLEDGE, NO GOVERNMENT OFFICIAL HAS STATED PUBLICLY OR PRIVATELY INTENTIONS OR SENTIMENTS FAVORING DISCRIMINATION AGAINST FREE-MARKET COUNTRIES. THE CURRENT MINISTER OF CUSTOMS AND MONOPOLIES HAS SAID FORCEFULLY THAT THE GOVT WILL ACT DECISIVELY TO OBTAIN THE HIGHEST PRICE POSSIBLE FOR TURKISH LEAF. HE SEES THE MONOPOLY AS THE INSTRUMENT FOR CARRYING OUT THIS POLICY WHICH WAS, IN FACT, BEGUN UNDER THE PREVIOUS GOVERNMENT WHEN MINIMUM EXPORT PRICES WERE ESTABLISHED FOR 1972 LEAF WITHOUT CONSULTATION WITH AMERICAN BUYERS. AMERICAN COMPANIES STRONGLY RESISTED THIS ACTION WHICH LED TO SUSPENSION OF SALES TEMPORARILY BETWEEN SEPTEMBER 1973 AND FEBRUARY 1974. HOWEVER, AS TENDENCY FOR DEVELOPMENT OF A SELLER'S MARKET CONTINUED, AMERICAN BUYERS EVENTUALLY AGREED EARLIER THIS YEAR TO THE UNILATERALLY ESTABLISHED MINIMUM EXPORT PRICES.

4. IN SUMMARY, WE FEEL THAT OUR INQUIREIES AND REPRESENTATIONS TO MINISTRY OF COMMERCE AT ANKARA AND TO MONOPOLY OFFICIALS AT ANKARA AND ISTANBUL HAVE MADE THEM FULLY AWARE OF OUR FIRM OPPOSITION TO ANY DISCRIMINATORY PRICING ARRANGEMENTS. THEY HAVE IN TURN ASSURED US THAT THE SALES IN QUESTION WERE THE RESULT OF PRIOR COMMITMENTS AND THAT FOR FURTHER SALES THEIR LIMITED OFFICIAL USE

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INTENTION IS TO SEEK THE HIGHEST PRICE THEY CAN GET FOR TURKISH TOBACCO, APPLYING THIS POLICY WITHOUT DISCRIMINATION AMONG PURCHASERS OR DESTINATIONS. MONOPOLY OFFICIALS, MOREOVER, CONTINUE TO CONSIDER U.S. AS PRIME EXPORT MARKET FOR TURKISH TOBACCO.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, PRICES, IMPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ANKARA05540
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740187-1206
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740755/aaaabvak.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 150487
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 AUG 2002 by boyleja>; APPROVED <21 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISCRIMINATORY TOBACCO PRICES FOR AMERICAN IMPORTERS
TAGS: ETRD, TU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005